

August 28th 2006 Us House of Representatives Subcommittee on Live stock and Horticulture

Comments by Cory Bomgaars, Head Winemaker and Partner at Les Bourgeois Vineyards and Winery, 12847 Hwy BB, Rocheport, Missouri

Chairman Hayes and Members of the Committee,

Thank you for inviting me to be here today and for holding this meeting in Springfield. My name is Cory Bomgaars. I am the head wine maker and a partner at Les Bourgeois Vineyards in Rocheport, MO. I serve as a member of the Missouri Grape and Wine Board, focusing most of my efforts through the Research and Advisory Subcommittee. I am a college level instructor, teaching winery sanitation through the Viticulture and Enology Science and Technology Association. Vesta is a National Science Foundation initiated program, housed at Missouri State University, and designed to educate current and future grape growers and winemakers. Though my position at Les Bourgeois, I over see all winery and vineyard operation, manage grower relations, develop custom wine contract and am involved in the wholesale sales and marketing of our product. Les Bourgeois has been in business for over 20 years and is the third largest winery in Missouri, with distribution in 4 additional states. In Columbia, MO, our wine is the number two selling brand, second to Gallo. Columbia is home of the University of Missouri with a population of nearly one hundred thousand, Sixty five percent of our wine is sold in the wholesale market or directly to other wineries though custom production contracts... The remaining wine is sold at one of our three retail locations, consisting of an out door wine garden, gift shop and 6000 square foot restaurant. We employ over 70 people in our peak season with an annual payroll of over one million dollars. We currently farm 30 acres of grapes and contract with eight independent growers to produce 42,000 cases of wine.

I'm sure that many of you are aware of the recent growth in the wine and grape industry in the United States. Grapes and wine crops are produced in more than 40 states. Grapes are the sixth largest a largest agricultural crop in the U.S. producing more than \$3 billion worth of fruit. Grapes are the highest Value fruit crop in the nation, significantly ahead of apples and oranges.

As vineyards continue to expand, so do the number of producing wineries. There are over 3,000 wineries in all 50 states. Wine production from grapes consumes about half of the average annual grape crop. The nation's top wine producing states are California, Washington, New York, Oregon, Pennsylvania, and Michigan. California produces about 92 percent of the volume.

While California is certainly the largest producer of grapes and grape products, the growth that our Missouri Company has experienced in the industry is not an isolated situation. It is happening with vineyards and wineries across the entire country and particularly here in the Midwest. In the 1960's, when Missouri re-entered the wine industry from the pre-prohibition era, you could count on one hand the number of wineries in the eight Midwestern states bordering Missouri. By 1990, the number of wineries in these nine Midwestern states had increased to 88, and by the year 2000 the total was at 104. A mere five years later, in 2005, the number of wineries in these nine

states has increased to 282. Like Les Bourgeois, many, if not most of these wineries, buy a significant portion of their grapes and other fruits from independent farmers thereby providing an excellent opportunity for farm diversification and keeping the land in agricultural production.

Grapes and wine are the ultimate high-value, value-added crop, but they are capital- and labor-intensive. Grapes are the sixth largest crop in the United States (based on farm-gate value measured by USDA Agriculture Statistics Service) at \$3.5 billion. In a recent preliminary economic study by MKF Research, Inc., it is conservatively estimated that the production of wine and wine grapes and their related industries produced more than \$90 billion of economic value to the U.S. economy in 2004. The industry accounts for 514,000 full-time equivalent jobs with \$17.9 billion in annual wages paid. Additionally, about 30 million tourists visit wineries each year, spending approximately \$2 billion. The industry pays \$4.3 billion in federal taxes and almost \$5 billion in local and state taxes. Wineries are some of the best examples of ongoing viable small family farms. There are currently 3,500 wineries in the United States, 1800 in California alone, and the vast majority are small, family-run, farm businesses.

In the last decade, Missouri alone has seen tremendous growth our wine industry nearly doubling the number of wineries. Missouri is host to 62 wineries in all regions of the state, including one in downtown St. Louis. Most of these wineries are in rural settings, drawing consumers into communities which receive a large economic boost, in restaurants, inns and markets. Many of the markets carry locally produced agricultural products further increasing the agricultural impact of the wine and grape industry.

I would like to present two facets of our industries inputs into the agriculture and rural sectors this is a diverse and growing agricultural industry that is bringing income into communities thought the Midwest and United States.

As I stated above, Les Bourgeois employees over 70 employees most of which are in their twenties and thirties and many have chosen life careers in specialty agriculture. Our employees come from varied backgrounds including urban and rural domestic and international. Each of our employees is exposed to the agricultural diversity of our industry. Over the last fifteen years, I have seen many employees move up through our company and many leave to further explore vineyard and winery operation on their own. To date we have had three employees seek higher education degrees in viticulture and enology, two have started vineyards and wineries on their own, and two open restaurants in both rural and urban settings that focus primarily on locally grow products. Being in close proximity to a university town we cycle through many employees not all of them stay in agriculturally related fields, but they do leave with an understanding of the diversity and impact of specialty agriculture.

Nick Pehle, Les Bourgeois Vineyards' vineyard manager, grew up in Burger, MO on his family's farm. Over the years his grandfather has reduced the farms size from several hundred acres to 110 acres of row crops and keeping only some of the hog production. Neither of Nick's parents receives income from the family farm. After graduating from the University of Missouri with a degree in Agriculture, Nick started to work for Les Bourgeois where he has taken over our entire vineyard operation. In addition, Nick has planted 17 acres on his family's property where he plans to return once they are fully producing.

Our growers not only include Nick and other farmers who have diversified their operations, but consist of doctors, lawyers and other professionals investing in property. This style of grower is equally common. With start up cost of nearly \$10,000 per acre and a labor cost of 60% these gentleman farmers are adding new income into our agricultural communities.

According to a Gallup poll last year, wine recently passed beer as the preferred alcoholic beverage in the United States. While we have very positive growth occurring in the U.S. grape and wine industry, the fact that we as a country consume only about three gallons of wine per capita is not lost on other grape-growing and wine-producing nations. Roughly 25 percent of the wine consumed in the United States today is imported, and with the strong potential for growth in the U.S. wine market, many countries are viewing our market as a potential wine sponge. In the face of strong international competition, the American wine and grape growing industry must lead in the production of wines with superior quality, excellence and value. The American wine and grape growing industry can and will compete.

Over the past two years the grape products segment of agriculture has come together to form the National Grape and Wine Initiative (NGWI). NGWI is an industry initiative to promote sustained agricultural growth through significantly increased expenditures for research and the effective communication of the research results to growers, wineries and processors through enhanced extension and education efforts. The vision of NGWI: "By 2020, the American grape and wine industry will triple its economic impact by aggressively pursuing increased market share, becoming the undisputed world leader in consumer value and sustainability, and contributing to improved quality of life in rural communities." The target is an economic impact of \$150 billion annually within 15 years.

To accomplish this challenging goal, we want to establish a private-public effort to fund research that will make us the No. 1 producer of quality grape products in the world. Federal investment in agriculture research has traditionally focused on program crops such as corn, soybeans, cotton, wheat and hay. A modest increase in the federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has done its homework by creating a national strategic research plan that identifies clear, strategic priorities for research that can help us triple our national economic impact in 15 years. It is imperative that we increase federal research dollars to improve the science (and art) of making and marketing U.S. world-class wines, table grapes, raisins and other grape products. Such a partnership with the federal government would help us level the playing field with our foreign competitors, most of who are highly subsidized by their governments. It is time to recognize the contribution of grapes and other specialty crops to the U.S. economy, to our balance of trade and to the role of providing healthy food for our tables.

I request that the 2007 Farm Bill include the following:

In the Farm Bill **provide a mechanism to support industry-government research partnerships**, such as the National Grape and Wine Initiative (NGWI), which will enhance the competitiveness of specialty crops.

Authorize in the Farm Bill mandatory funding of **\$5 million** a year from the Commodity Credit Corporation **to establish the National Clean Plant Network** of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country.

Provide **significantly increased funding to Animal, Plant, Health, and Inspection Service (APHIS)** for the prevention of the unintentional introduction of plant pests and diseases, which can destroy the viability of our operations.

Expand the State Block Grants for Specialty Crops Program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the Fiscal Year (FY) 2006 Agricultural Appropriations Bill. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

Provide **continued support** for the **Market Access Program (MAP)**. American wineries are experiencing success in penetrating foreign markets, but currently have only a 5 percent share of the world market. There are many more countries and new markets to enter as well as market share to grow in countries where we currently sell our wines such as the United Kingdom, Canada and Japan.

Provide a **thorough review of all farm programs to ensure that specialty crop producers have access to benefits** comparable to other farmers, rather than being excluded or limited simply due to a higher cost of production. Due to the nature of high-value specialty-crop production, many current Farm Bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operation, etc.

The grape and wine industry is faced with tremendous growth opportunities both in the U.S. market and abroad, but we need your help and consideration in the Farm Bill to realize the growth potential and stay competitive with our foreign competitors. Most importantly, the Farm Bill must be able to encourage all aspects of farming to continue and prosper. There must be economic reward in farming to encourage future generations of Americans to choose farming as an occupation. We must maintain a viable farming industry to continue to supply our country with a safe, nutritious and healthy food supply. We should never allow our country to come to the point where we have to rely on the rest of the world for the food we eat and drink.

Thank you for the opportunity to testify today and thank you for your efforts to improve American agriculture.

